

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CHRISTIAN COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Christian County, Kentucky. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Christian County's major federal program: Community Development Block Grants/State's Program (CFDA #14.228).

Financial Condition:

The Christian County Fiscal Court had total receipts of \$19,904,951 and disbursements of \$20,582,105 in fiscal year 2014. This resulted in a total ending fund balance of \$11,602,793, which is a decrease of \$677,154 from the prior year.

Report Comments:

2014-001 Internal Controls Over Disbursements/Credit Cards Should Be Strengthened
2014-002 The Fiscal Court Should Properly Utilize The Purchase Order System

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
CHRISTIAN COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	6
NOTES TO FINANCIAL STATEMENT	11
BUDGETARY COMPARISON SCHEDULES	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	32
SCHEDULE OF CAPITAL ASSETS	35
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	36
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	39
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	40
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	43
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Christian County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Christian County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Christian County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Christian County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Christian County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 09, 2015 on our consideration of Christian County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comments:

2014-001 Internal Controls Over Disbursements/Credit Cards Should Be Strengthened
2014-002 The Fiscal Court Should Properly Utilize The Purchase Order System

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 09, 2015

CHRISTIAN COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Steve Tribble	County Judge/Executive
Mark Cansler	Magistrate
David Collins	Magistrate
Terry Bowman	Magistrate
James Fleming	Magistrate
Edwin Long	Magistrate
Rudolph Pettus	Magistrate
Tom Jones	Magistrate
Jack Lackey	Magistrate

Other Elected Officials:

J. Michael Foster	County Attorney
Bradley Boyd	Jailer
Mike Kem	County Clerk
Gary Haddock	Circuit Court Clerk
Livy Leavell, Jr.	Sheriff
Angela Strader	Property Valuation Administrator
Dorris Lamb	Coroner

Appointed Personnel:

Walter Cummings	County Treasurer
Ruth Mason	Assistant County Treasurer
Nita Leavell	County Finance Officer

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,139,668	\$	\$
In Lieu Tax Payments	297,232		
Excess Fees	626,811		
Licenses and Permits	103,918		
Intergovernmental	1,585,772	2,775,483	4,628,243
Charges for Services	256,483		313,645
Miscellaneous	156,736	47,181	466,672
Interest	42,225	234	613
Total Receipts	<u>9,208,845</u>	<u>2,822,898</u>	<u>5,409,173</u>
DISBURSEMENTS			
General Government	2,318,770		
Protection to Persons and Property	303,955		5,085,816
General Health and Sanitation	619,196		
Social Services	150,627		
Recreation and Culture	355,017		
Airports	31,494		
Roads		3,325,940	
Debt Service			13,186
Capital Projects	633,841	99,700	
Administration	2,393,155	320,188	1,288,249
Total Disbursements	<u>6,806,055</u>	<u>3,745,828</u>	<u>6,387,251</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,402,790</u>	<u>(922,930)</u>	<u>(978,078)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		960,000	1,545,000
Transfers To Other Funds	<u>(2,681,956)</u>	<u>(253,099)</u>	<u>(574,956)</u>
Total Other Adjustments to Cash (Uses)	<u>(2,681,956)</u>	<u>706,901</u>	<u>970,044</u>
Net Change in Fund Balance	(279,166)	(216,029)	(8,034)
Fund Balance - Beginning	9,677,901	228,137	176,818
Fund Balance - Ending	<u>\$ 9,398,735</u>	<u>\$ 12,108</u>	<u>\$ 168,784</u>
Composition of Fund Balance			
Bank Balance	\$ 1,740,684	\$ 12,237	\$ 205,457
Plus: Deposits In Transit	1,730		
Less: Outstanding Checks	(84,715)	(129)	(36,673)
Certificate of Deposits	<u>7,741,036</u>		
Fund Balance - Ending	<u>\$ 9,398,735</u>	<u>\$ 12,108</u>	<u>\$ 168,784</u>

The accompanying notes are an integral part of the financial statement.

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds		
Local Government Economic Assistance Fund	Revolving Loan Fund	E911 Fee Fund
\$	\$	\$ 150,349
176,795		254,193
		1,290
16	133	2,779
176,811	133	408,611
	8,000	708,057
174,348		
174,348	8,000	708,057
2,463	(7,867)	(299,446)
2,463	(7,867)	(299,446)
25,223	58,324	1,145,612
\$ 27,686	\$ 50,457	\$ 846,166
\$ 27,686	\$ 50,457	\$ 846,733
		(567)
\$ 27,686	\$ 50,457	\$ 846,166

The accompanying notes are an integral part of the financial statement.

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	Unbudgeted Funds			
	Jail Commissary Fund	Industrial Development Authority Revolving Loan Fund	Public Courthouse Corporation Fund	General Obligation Bond Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental			1,376,336	
Charges for Services	394,923			
Miscellaneous	5,610	99,014		
Interest	493	2,099	2	3
Total Receipts	<u>401,026</u>	<u>101,113</u>	<u>1,376,338</u>	<u>3</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture	371,951			
Airports				
Roads				
Debt Service			1,439,081	940,269
Capital Projects				
Administration		15	1,250	
Total Disbursements	<u>371,951</u>	<u>15</u>	<u>1,440,331</u>	<u>940,269</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>29,075</u>	<u>101,098</u>	<u>(63,993)</u>	<u>(940,266)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			64,745	940,266
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)			<u>64,745</u>	<u>940,266</u>
Net Change in Fund Balance	29,075	101,098	752	
Fund Balance - Beginning	179,094	786,829	2,004	5
Fund Balance - Ending	<u>\$ 208,169</u>	<u>\$ 887,927</u>	<u>\$ 2,756</u>	<u>\$ 5</u>
Composition of Fund Balance				
Bank Balance	\$ 219,079	\$ 887,927	\$ 2,756	\$ 5
Deposits In Transit				
Less Outstanding Checks	(10,910)			
Certificate of Deposits				
Ending Fund Balance	<u>\$ 208,169</u>	<u>\$ 887,927</u>	<u>\$ 2,756</u>	<u>\$ 5</u>

The accompanying notes are an integral part of the financial statement.

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	<u>Internal Service Fund</u>
<u>Total Funds</u>	<u>Health Insurance Fund</u>
\$ 6,290,017	\$
297,232	
626,811	
103,918	
10,796,822	
965,051	
776,503	1,748,924
48,597	2,644
<u>19,904,951</u>	<u>1,751,568</u>
2,318,770	
6,105,828	
619,196	
150,627	
726,968	
31,494	
3,500,288	
2,392,536	
733,541	
<u>4,002,857</u>	<u>1,833,970</u>
<u>20,582,105</u>	<u>1,833,970</u>
<u>(677,154)</u>	<u>(82,402)</u>
3,510,011	
<u>(3,510,011)</u>	
<u>(677,154)</u>	<u>(82,402)</u>
<u>12,279,947</u>	<u>654,702</u>
<u>\$ 11,602,793</u>	<u>\$ 572,300</u>
\$ 3,993,021	\$ 239,796
1,730	
(132,994)	
<u>7,741,036</u>	<u>332,504</u>
<u>\$ 11,602,793</u>	<u>\$ 572,300</u>

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	11
NOTE 2.	DEPOSITS.....	14
NOTE 3.	TRANSFERS	15
NOTE 4.	AGENCY TRUST FUNDS.....	15
NOTE 5.	RECEIVABLES.....	15
NOTE 6.	LONG-TERM DEBT.....	16
NOTE 7.	COMMITMENTS AND CONTINGENCIES	19
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	20
NOTE 9.	DEFERRED COMPENSATION	21
NOTE 10.	INSURANCE	21
NOTE 11.	HEALTH INSURANCE.....	22

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Christian County includes all budgeted and unbudgeted funds under the control of the Christian County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Department for Local Government criteria for small business loans. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

E-911 Fee Fund - The primary purpose of this fund is to account for 911 tax receipts and emergency services disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Industrial Authority Revolving Loan Fund - The primary purpose of this fund is to account for the activities of the Christian County Industrial Authority. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Department for Local Government approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The primary purpose of this fund is to account for the activities of the Public Courthouse Corporation. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding bonds. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Industrial Authority Revolving Loan Fund to be budgeted. The Department for Local Government allowed Community Development Block Grant – loan repayments are made to the Industrial Authority Revolving Loan Fund to be loaned to other businesses through the Industrial Foundation.

The State Local Finance Officer does not require the Public Courthouse Corporation Fund or the General Obligation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

E. Christian County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Christian County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Road Fund	Jail Fund	Total Transfers In
Road Fund	\$ 960,000	\$	\$	\$ 960,000
Jail Fund	1,545,000			1,545,000
Public Courthouse Corporation Fund			64,745	64,745
General Obligation Bond Fund	176,956	253,099	510,211	940,266
Total Transfers Out	<u>\$ 2,681,956</u>	<u>\$ 253,099</u>	<u>\$574,956</u>	<u>\$ 3,510,011</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$117,180.

Animal Shelter Fund - This fund accounts for funds received by the local animal shelter. The balance in the Animal Shelter Fund as of June 30, 2014 was \$33,087.

Note 5. Receivables

- A. The County loaned \$100,000 to Maintainer Corporation of Kentucky on April 25, 2006 for the purpose of financing certain real estate. Terms of the agreement stipulate a 10-year repayment schedule of 4.0 percent interest. Records indicate Maintainer Corporation of Kentucky is in substantial compliance with this requirement. As of June 30, 2014, principal balance due was \$20,443.
- B. The County loaned \$150,000 to Hopkinsville Industrial Foundation, Inc. on April 1, 2011 for the purpose of making improvements to real estate. Terms of the agreement stipulate an 8-year repayment schedule at 1.5 percent interest. Records indicate Hopkinsville Industrial Foundation, Inc. is in substantial compliance with this requirement. As of June 30, 2014, principal balance due was \$95,844.
- C. The County loaned \$300,000 to Siemer Milling Company, on March 24, 2010 for the purpose of financing certain equipment. Terms of the agreement stipulate a 5-year repayment schedule at 2.5 percent interest. Records indicate Siemer Milling Company is in substantial compliance with this requirement. As of June 30, 2014, principal balance due was \$47,422.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt

A. Revenue Refunding Bonds, Series 2007

The Christian County Public Courthouse Corporation (the "Corporation") was established by the County of Christian, Kentucky (the "County") to act as the agency and instrumentality of the County in acquiring, developing and financing public improvements and public projects. The Corporation issued its Christian County Public Courthouse Corporation Lease Revenue Bonds (District Court Facility Project), Series 2000, dated November 1, 2000, (the "Series 2000 Bonds") for the purpose of acquiring, constructing and furnishing a court facility and the completion of the renovation and improvement of the Christian County Corrections Center located in Hopkinsville, Kentucky.

The Corporation adopted at the direction of the Fiscal Court of the County, a resolution (the "Resolution") authorizing the Series 2007 Bonds for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds.

The Bonds are secured by a foreclosable first mortgage lien on the Project. The Bonds are also secured by the assignment by the Corporation of all its rights, title and interest to a lease agreement with the County.

The Bonds in the amount of \$16,545,000 dated April 5, 2007, bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2007, at rates ranging from 3.50% to 4.00%. The Bonds mature on August 1 of each year, in the years and in the principal amounts shown below. The balance on these bonds as of June 30, 2014 was \$10,890,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 1,025,000	\$ 413,178
2016	1,065,000	373,300
2017	1,110,000	329,800
2018	1,160,000	284,400
2019	1,205,000	237,100
2020-2023	<u>5,325,000</u>	<u>436,500</u>
Totals	<u>\$ 10,890,000</u>	<u>\$ 2,074,278</u>

B. Christian County (KY) General Obligation Recovery Zone Economic Development and Refunding Bonds, Series 2010 A&B

On June 1, 2010, the Fiscal Court issued two bonds, Series 2010A Recovery Zone Economic Development Bonds in the amount of \$2,045,000 and Series 2010B General Obligation Refunding Bonds in the amount of \$1,960,000. Series 2010A was issued for the purpose of road work to be performed on county roads and Series 2010B was issued for the purpose of refunding General Obligation Bonds, Series 1998. The Series 2010A bonds bear interest of 3.60% and the Series 2010B bonds bear interest of 2.00%. Payments are due on December 1 and June 1 of each year. The maturity date of the bonds is June 30, 2020. The balance of these bonds as of June 30, 2014 was \$2,500,000. Annual debt service requirements to maturity for the bonds are as follows:

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

B. Christian County (KY) General Obligation Recovery Zone Economic Development and Refunding Bonds, Series 2010 A&B (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 395,000	\$ 75,563
2016	400,000	64,463
2017	410,000	52,633
2018	420,000	39,754
2019	430,000	26,045
2020	445,000	11,538
Totals	<u>\$ 2,500,000</u>	<u>\$ 269,996</u>

C. General Obligation Refunding Bonds, Series 2011

On November 30, 2011, the County of Christian, Kentucky issued General Obligation Refunding Bonds, Series 2011 in the amount of \$3,785,000. The proceeds will be used to refinance financing obligations with Kentucky Association of Counties Leasing Trust Program for the Energy Conservation Project in the amount of \$2,185,000 and the Jail Renovation in the amount of \$1,565,000. The bonds bear interest of 2.00% to 3.125%. Payments are due on February 1 and August 1 of each year. The maturity date of the bonds is June 30, 2027. The balance of these bonds as of June 30, 2014 was \$2,695,000. Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 395,000	\$ 65,856
2016	400,000	57,956
2017	405,000	49,456
2018	135,000	41,856
2019	135,000	39,156
2020-2024	730,000	141,844
2025-2027	495,000	31,551
Totals	<u>\$ 2,695,000</u>	<u>\$ 427,675</u>

D. Campbell Office Building

On August 27, 2010 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$103,500 at a 4.55% effective interest rate. The financing obligation was used to purchase the Campbell Office Building for the Christian County Detention Center. The maturity date of the obligation is August 20, 2020. The balance of the financing obligation at June 30, 2014 was \$67,199. Annual debt service requirements to maturity are as follows:

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

D. Campbell Office Building (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 10,127	\$ 2,880
2016	10,410	2,413
2017	10,709	1,923
2018	11,012	1,423
2019	11,324	910
2020-2021	<u>13,617</u>	<u>395</u>
Totals	<u>\$ 67,199</u>	<u>\$ 9,944</u>

E. Sheriff's Vehicles – 2011

On April 28, 2011 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$100,000 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2015. The balance of the financing obligation at June 30, 2014 was \$25,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	<u>\$ 25,000</u>	<u>\$ 95</u>
Totals	<u>\$ 25,000</u>	<u>\$ 95</u>

F. Sheriff's Vehicles – 2012

On March 28, 2012 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$112,000 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2016. The balance of the financing obligation at June 30, 2014 was \$56,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 28,000	\$ 2,049
2016	<u>28,000</u>	<u>757</u>
Totals	<u>\$ 56,000</u>	<u>\$ 2,806</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

G. Sheriff Vehicles – 2013

On March 12, 2013 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$204,624 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2017. The balance of the financing obligation at June 30, 2014 was \$154,756. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 50,454	\$ 7,034
2016	51,577	4,741
2017	<u>52,725</u>	<u>2,397</u>
Totals	<u>\$ 154,756</u>	<u>\$ 14,172</u>

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 5,975,000	\$	\$ 780,000	\$ 5,195,000	\$ 790,000
Revenue Bonds	11,880,000		990,000	10,890,000	1,025,000
Financing Obligations	<u>415,670</u>		<u>112,715</u>	<u>302,955</u>	<u>113,581</u>
Total Long-term Debt	<u>\$ 18,270,670</u>	<u>\$ 0</u>	<u>\$ 1,882,715</u>	<u>\$ 16,387,955</u>	<u>\$ 1,928,581</u>

Note 7. Commitments and Contingencies

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$585,748, FY 2013 was \$618,081, and FY 2014 was \$598,026.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2014, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 11. Health Insurance

Christian County Fiscal Court elected to begin a partially self-funded health insurance plan for fiscal year ended June 30, 1998. This partially self-funded insurance plan covers all county employees, and the county pays for each county employee's individual coverage. Christian County contracted with Anthem Blue Cross and Blue Shield to administer the employee benefit plan for the 2013-2014 fiscal year.

The partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for fiscal year ending June 30, 2014 were \$274,815. The second component is the claims cost, all of which Christian County is responsible to pay as they incur. Once an individual exceeds \$60,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the insurance carrier. Incurred claims for fiscal year ended June 30, 2014 were \$1,554,160. Christian County Fiscal Court's contract with Anthem Blue Cross and Blue Shield has no terminal liability provision. The Court would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$572,300 as of June 30, 2014.

CHRISTIAN COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,120,907	\$ 6,120,907	\$ 6,139,668	\$ 18,761
In Lieu Tax Payments	284,986	284,986	297,232	12,246
Excess Fees	469,000	469,000	626,811	157,811
Licenses and Permits	118,344	118,344	103,918	(14,426)
Intergovernmental	3,481,457	3,481,457	1,585,772	(1,895,685)
Charges for Services	228,495	228,495	256,483	27,988
Miscellaneous	64,464	64,464	156,736	92,272
Interest	43,012	43,012	42,225	(787)
Total Receipts	10,810,665	10,810,665	9,208,845	(1,601,820)
DISBURSEMENTS				
General Government	3,289,189	3,289,189	2,318,770	970,419
Protection to Persons and Property	605,225	605,225	303,955	301,270
General Health and Sanitation	529,362	631,274	619,196	12,078
Social Services	123,176	151,827	150,627	1,200
Recreation and Culture	356,312	356,312	355,017	1,295
Airports	30,000	31,494	31,494	
Debt Service	176,957			
Capital Projects	1,869,600	1,869,600	633,841	1,235,759
Administration	2,833,306	2,701,249	2,393,155	308,094
Total Disbursements	9,813,127	9,636,170	6,806,055	2,830,115
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	997,538	1,174,495	2,402,790	1,228,295
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(3,790,259)	(3,967,216)	(2,681,956)	1,285,260
Total Other Adjustments to Cash (Uses)	(3,790,259)	(3,967,216)	(2,681,956)	1,285,260
Net Change in Fund Balance	(2,792,721)	(2,792,721)	(279,166)	2,513,555
Fund Balance Beginning	2,792,721	2,792,721	9,677,901	6,885,180
Fund Balance - Ending	\$ 0	\$ 0	\$ 9,398,735	\$ 9,398,735

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,571,810	\$ 2,571,810	\$ 2,775,483	\$ 203,673
Miscellaneous	42,100	42,100	47,181	5,081
Interest	550	550	234	(316)
Total Receipts	2,614,460	2,614,460	2,822,898	208,438
DISBURSEMENTS				
Roads	3,729,154	3,708,386	3,325,940	382,446
Debt Service	253,100			
Capital Projects	88,000	99,700	99,700	
Administration	373,919	382,987	320,188	62,799
Total Disbursements	4,444,173	4,191,073	3,745,828	445,245
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,829,713)	(1,576,613)	(922,930)	653,683
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,819,713	1,819,713	960,000	(859,713)
Transfers To Other Funds		(253,100)	(253,099)	1
Total Other Adjustments to Cash (Uses)	1,819,713	1,566,613	706,901	(859,712)
Net Change in Fund Balance	(10,000)	(10,000)	(216,029)	(206,029)
Fund Balance Beginning	10,000	10,000	228,137	218,137
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,108	\$ 12,108

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 4,961,050	\$ 4,961,050	\$ 4,628,243	\$ (332,807)
Charges for Services	248,750	248,750	313,645	64,895
Miscellaneous	224,100	224,100	466,672	242,572
Interest	600	600	613	13
Total Receipts	<u>5,434,500</u>	<u>5,434,500</u>	<u>5,409,173</u>	<u>(25,327)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,427,837	5,448,685	5,085,816	362,869
Debt Service	588,144	13,188	13,186	2
Administration	1,424,065	1,403,217	1,288,249	114,968
Total Disbursements	<u>7,440,046</u>	<u>6,865,090</u>	<u>6,387,251</u>	<u>477,839</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,005,546)</u>	<u>(1,430,590)</u>	<u>(978,078)</u>	<u>452,512</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,970,546	1,970,546	1,545,000	(425,546)
Transfers To Other Funds		(574,956)	(574,956)	
Total Other Adjustments to Cash (Uses)	<u>1,970,546</u>	<u>1,395,590</u>	<u>970,044</u>	<u>(425,546)</u>
Net Change in Fund Balance	(35,000)	(35,000)	(8,034)	26,966
Fund Balance Beginning	<u>35,000</u>	<u>35,000</u>	<u>176,818</u>	<u>141,818</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 168,784</u>	<u>\$ 168,784</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 185,000	\$ 185,000	\$ 176,795	\$ (8,205)
Interest			16	16
Total Receipts	<u>185,000</u>	<u>185,000</u>	<u>176,811</u>	<u>(8,189)</u>
DISBURSEMENTS				
Roads	<u>210,000</u>	<u>210,000</u>	<u>174,348</u>	<u>35,652</u>
Total Disbursements	<u>210,000</u>	<u>210,000</u>	<u>174,348</u>	<u>35,652</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>2,463</u>	<u>27,463</u>
Net Change in Fund Balance	(25,000)	(25,000)	2,463	27,463
Fund Balance Beginning	<u>25,000</u>	<u>25,000</u>	<u>25,223</u>	<u>223</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,686</u>	<u>\$ 27,686</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

REVOLVING LOAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	110	110	133	23
Total Receipts	210	210	133	(77)
DISBURSEMENTS				
Protection to Persons and Property	58,200	58,200	8,000	50,200
Total Disbursements	58,200	58,200	8,000	50,200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(57,990)	(57,990)	(7,867)	50,123
Net Change in Fund Balance	(57,990)	(57,990)	(7,867)	50,123
Fund Balance Beginning	57,990	57,990	58,324	334
Fund Balance - Ending	\$ 0	\$ 0	\$ 50,457	\$ 50,457

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

E911 FEE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 168,500	\$ 168,500	\$ 150,349	\$ (18,151)
Intergovernmental	225,446	225,446	254,193	28,747
Miscellaneous			1,290	1,290
Interest	2,400	2,400	2,779	379
Total Receipts	396,346	396,346	408,611	12,265
DISBURSEMENTS				
Protection to Persons and Property	1,186,750	1,186,750	708,057	478,693
Administration	10,000	10,000		10,000
Total Disbursements	1,196,750	1,196,750	708,057	488,693
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(800,404)	(800,404)	(299,446)	500,958
Net Change in Fund Balance	(800,404)	(800,404)	(299,446)	500,958
Fund Balance Beginning	800,404	800,404	1,145,612	345,208
Fund Balance - Ending	\$ 0	\$ 0	\$ 846,166	\$ 846,166

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

HEALTH INSURANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 1,747,206	\$ 1,747,206	\$ 1,748,924	\$ 1,718
Interest	2,500	2,500	2,644	144
Total Receipts	1,749,706	1,749,706	1,751,568	1,862
DISBURSEMENTS				
Administration	2,459,706	2,459,706	1,833,970	625,736
Total Disbursements	2,459,706	2,459,706	1,833,970	625,736
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(710,000)	(710,000)	(82,402)	627,598
Net Change in Fund Balance	(710,000)	(710,000)	(82,402)	627,598
Fund Balance Beginning	710,000	710,000	654,702	(55,298)
Fund Balance - Ending	\$ 0	\$ 0	\$ 572,300	\$ 572,300

CHRISTIAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

CHRISTIAN COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

CHRISTIAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land	\$ 2,263,092	\$	\$	\$ 2,263,092
Construction In Progress	154,837	877,272	247,934	784,175
Land Improvements	125,096	26,480		151,576
Buildings	35,364,815	247,934		35,612,749
Vehicles and Equipment	4,222,823	509,812	450,821	4,281,814
Furniture and Office Equipment	1,207,664	18,038		1,225,702
Infrastructure	18,539,901	1,534,511		20,074,412
 Total Capital Assets	 <u>\$ 61,878,228</u>	 <u>\$ 3,214,047</u>	 <u>\$ 698,755</u>	 <u>\$ 64,393,520</u>

Auditor restated the Beginning Balance of Vehicles & Equipment by \$131,244. Auditor added vehicles that had previously been omitted in prior year audit.

CHRISTIAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Buildings Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2014

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>Department of Housing and Urban Development</u>			
<i>Passed-Through State Department for Local Government:</i>			
14.228	Community Development Block Grants/State's Program	13-011/11-052	** \$ 592,905
Total U.S. Department of Housing and Urban Development			592,905
<u>U.S. Department of Justice</u>			
<i>Passed-Through State Department of Justice:</i>			
16.588	Violence Against Women Formula Grants	2013-00366	51,478
16.540	Juvenile Justice and Delinquency Prevention Allocation to States		23,054
16.738	Byrne Formula Grant Program		57,774
Total U.S. Department of Justice			132,306
<u>U.S. Department of Transportation</u>			
<i>Passed-Through State Department of Justice:</i>			
20.219	Recreational Trails Program		26,257
Total U.S. Department of Transportation			26,257
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through State Department of Military Affairs:</i>			
97.042	Emergency Management Performance Grants		33,878
Total U.S. Department of Homeland Security			33,878
Total Expenditures of Federal Awards			\$ 785,346

**Tested as Major Program or Cluster

CHRISTIAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Christian County, Kentucky and is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Subrecipients

The federal expenditures for the U.S. Department of Housing and Urban Development – Community Development Block Grant includes funds transferred to the following subrecipients:

<u>Subrecipients</u>	<u>CFDA Number</u>	<u>Pass-Through Grant Amount</u>
Pennyroyal Regional Mental Health Retardation Board, Inc.	14.228	\$ 248,750

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Christian County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated June 09, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Christian County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Christian County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Christian County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christian County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned as item 2014-001.

County Judge's Responses to Findings

The Christian County Judge's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. The County Judge's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 09, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Christian County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Christian County Fiscal Court's major federal programs for the year ended June 30, 2014. Christian County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Christian County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Christian County Fiscal Court's compliance.

Opinion on Each Major Federal Program

In our opinion, Christian County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Report on Internal Control over Compliance

Management of the Christian County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Christian County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Christian County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 09, 2015

**CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2014

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified-14.228
 Community Development Block Grant- State's Program

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a) ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

14.228 Community Development Block Grant- State's Program

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations

2014-001 Internal Controls Over Disbursements/Credit Cards Should Be Strengthened

During our testing of disbursements and credit cards, we noted the following deficiencies:

- Nine credit transactions that did not have adequate supporting documentation (itemized invoices).
- One item that was missing an invoice.
- Three disbursements that were not paid within 30 days.
- Credit cards were not always paid in full each month, resulting in finance charges/late fees of \$110.11.
- There were multiple transactions for travel which did not include an explanation of why the travel occurred and individuals participating in the meal, if applicable.

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained including any additional supporting documentation and agreed to the corresponding purchase order and reports.

These deficiencies over disbursements and credit card transactions occurred because the Fiscal Court's lack of internal controls and oversight.

Failing to maintain adequate documentation can result in paying invoices for goods or services that were not provided to the County. Also, by not paying invoices within 30 days or paying credit cards in full each month the Fiscal Court could be assessed penalties or finance charges.

We recommend that the County develop internal procedures to ensure that disbursements and credit card transactions are properly supported.

County Judge/Executive Steve Tribble's Response: Christian County has implemented additional procedures to monitor credit card usage.

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

Internal Control - Material Weaknesses

None.

Internal Control - Significant Deficiencies

2014-001 Internal Controls Over Disbursements/Credit Cards Should Be Strengthened

See Comment Under State Laws And Regulations.

2014-002 The Fiscal Court Should Properly Utilize The Purchase Order System

The Department for Local Government (DLG) Budget Manual states “purchases shall not be made prior to approval by the County Judge/Executive (or designee) or department head. Purchase requests shall indicate proper appropriation account number to which the claim will be posted. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.” In addition, a purchase order journal should contain a “daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the purchase order number, issue approved by, appropriation code to where the payment will be posted, vendor name, date invoice is received, amount of invoice, date claim was reviewed by Fiscal Court, date paid and amount paid.”

During our tested of disbursements, it was noted that the purchase order system was not being properly utilized in accordance with DLG guidelines. The Jail, Animal Shelter, and Courthouse Maintenance will randomly notify the Finance Officer to obtain a purchase order, but even then the purchase order is not being properly filled out. All other departments are not requesting a purchase order prior to making a purchase or requesting a service be performed.

Failure to maintain appropriate records for purchase orders could result in incorrect amounts being paid or not having adequate funds or sufficient budget appropriations available. We recommend that the Fiscal Court require purchase orders be obtained prior to items being ordered or services received to determine if adequate funds and budget appropriation are available for the purchase. Purchase orders should be completely filled out at the time of issuance. Additionally, we recommend that the Fiscal Court properly utilize the purchase order system in order to comply with the DLG Budget Manual requirements.

County Judge/Executive Steve Tribble's Response: Christian County will make every effort to strengthen the purchase order system.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings (FEDERAL FINDINGS ONLY)

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CHRISTIAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

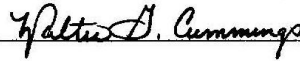
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CHRISTIAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

